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STATE SECTOR AND INDUSTRIALISATION PRIORITIES IN DEVELOPING COUNTRIES

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STATE SECTOR AND INDUSTRIALISATION PRIORITIES IN DEVELOPING COUNTRIES

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Industrialisation is an indispensable condition for economic upsurge, growth of employment and living standard of the population. This is the basic conclusion from the analysis of the history of all major industrial areas of the world existing now, i.e., the bulk of European states, the USA and Japan.

Industrialisation process started in Britain, and only in the second half of the nineteenth century and the beginning of the twentieth century it extended to a limited number of other states. Everywhere its beginning was marked by a growth of the light industry. As to the heavy industry, its development varied particularly with respect to the selection of certain branches of mechanical engineering. Comparison of industrial development of Britain and Germany, for instance, clearly shows that priority in the selection of projects is determined by specific historical conditions.

Apart from being a protracted process and extending to very few countries, industrialisation was mainly effected (financed) by exploiting the overwhelming majority of world nations, hampering and distorting their economy.

Economic development of the USSR and other countries making up the world socialist system follows a different path (as regards both the financing methods and the selection of industrial projects) and yields other results bringing about, not agrarisation but industrialisation of economically underdeveloped regions and countries. If private enterprise and spontaneous market conditions resulted in development of modern industry in some limited parts of the globe, socialism ✓ creates the necessary prerequisites for its comprehensive development everywhere.

Life has shattered the myth that industrialisation is the lot of outstanding countries. It has been proved that industrialisation of some countries can stimulate the development of modern industry in others. Thus, new regularities of economic development in a number of industrial areas of the world made possible the industrialisation of economically underdeveloped countries. Besides, the present level of development of industry and technique entails a different approach to selection of primary projects as the countries lagging behind in their development can make use of the latest achievements of science and technology and draw on the experience of others so as to increase their rate of development.

Economic independence is the primary task of young states. To accomplish this job they must put an end to the agrarian (raw-material) nature of their monoculture economy and build up a national economy. The latter implies a versatile modern economic structure with the bulk of enterprises belonging to the state or its citizens. Building of a sound national economy in the long run is inconceivable without the development of industry. The young states differ appreciably in their levels of economic development, availability of material resources, their areas and population, time of achieving independence and some other factors (compare, for example, India with Central African states). It does not mean, however, that industrialisation is unnecessary or altogether impossible in the majority of these countries. But these differences necessitate a careful and specific study of probable ways and phases of paving the way for industrialisation, its orientation and scope in different groups of these states. In each specific case preference should be given to projects which, at the particular stage, lead to a versatile economy making for the division of labour and increase in the productivity of aggregate national labour.

This general principle explaines why different countries with the diverse conditions should accomplish different projects on their way to the common goal, i.e. industrialisation. For some time they may lay emphasis on organisation (or improvement) of a transport system, or power engineering, the light of the mining industry or individual branches of agriculture, etc. But it is in the national interests that these projects should be regarded as a preparatory step to economic development or as a component of industrialisation but not as an end in themselves. This very aspect determines the priority and scope of the projects.

It is quite obvious that new states face great difficulties in their economic development, especially in finance and capital formation, because a backward economy implies low rates of accumulation. This still more emphasisss the problem of priority, i.e. the selection of the most effective way of putting on end to economic backwardness and creating a developed national economy.

The particular importance and diversity of the priority problem under specific conditions of young countries requires a special effective means to attain its practical solution. The state sector is considerably superior as regards mobilization of internal resources and increase of accumulation sources (especially by expanding of state enterprise in trade and banking) Functioning state-owned enterprises are an important source of accumulation. And this source acquires a greater importance with the increase in the number of state-owned enterprises. As to external sources of capital, the state sector can obtain them on much easier terms and make a fuller use of them, though there are some difficulties here too.

Furthermore, the state sector can not only better concentrate the limited and scattered finances, but also utilize them for the development of those branches of national economy that the country needs urgently.

The state sector is a reliable means of proper selection of industrial projects and an efficient lever for the accomplishment of first-priority projects and consolidation of the achievements.

The state sector not only enables overcoming financial difficulties. No less important is its role in solving the problem of obtaining material elements of capital. It is the state sector that can determine the optimum ratio between the import of necessary foreign products and the maximum utilization of products in new construction, and thus to stimulate the maximum expansion of home industry.

Probably the most difficult and important task in building up a national economy is acquiring new professional skills and knowledge by the workers and training national engineers and technicians. This task has obvious priority over many others, since without accomplishing it no programs of economic revival can be carried out. Only the state is in a position to train industrial personnel and set up a network of research institutes and laboratories on a sufficiently large scale.

Many countries who entered upon a path of independent development need, for attaining economic integrity and upsurge, a modern traffic system (including shipping). The same is true for the power industry, etc, The role of the state sector is not argued by anybody, though the infra-structure, its scope, and, what is most important, its trends are the subject of heated discussions.

At present industrial progress of new states does not necessarily imply building up all branches of heavy industry in the majority of these countries. There arises the problem of proper division of labour among the new states themselves, aimed at their general upsurge, financial savings, some regional industrialisation at the given stage on the basis of equality of all the participants and with the assistance of economically advanced countries.

In the long run priority of industrial projects amounts to establishing the required and practicable, at a definite specific point, relation between "A" and "B" production groups (production of means of production and production of consumer goods, respectively). But only the state sector is capable of establishing such a ratio effectively and quickly and, what is most important carry into life projects that are vital for revival of the entire national economy and which cannot be implemented by private enterprise due to lack of capital or low profits from the "business".

As a rule, the basic programs of economic construction are of an integral nature. The Asswan Dam project in the United Arab Republic, for example, will simultaneously solve a great number of problems of agriculture, power and industry. Naturally, such projects can be implemented only by the state.

Finally, the needs of economic development in young states gave rise to a substantially new phenomenon, namely, more or less comprehensive long-term plans of economic development.

The past experience in solving problems of priority during the first years of independent development of young states of Africa and Asia has shown that they are solved most successfully where there is a considerable and growing state sector, that

priority should be based on the principle of a maximum rise of productivity of aggregate national labour growth of employment and the living standard possible for the country in a given period. All this cannot be accomplished without a vigorous economic upsurge since otherwise no economic independence can be conceived.

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